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PARAMETERS CREATING IMPACT UPON CUSTOMERS' LOYALTY: A CASE OF STUDENTS IN TEHRAN'S ART SCHOOLS

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ABSTRACT

Today, customers' loyalty is viewed as one of determinants for organizational profitability. Accordingly, educational institutions require improving their profitability by encouragement of their organizational values. This study attempts to determine to what extent different parameters bring about effect on students' loyalty to Tehran's music schools. The population consisted of all students in one of Tehran's art schools, of which we selected 160 participants by conducting a pilot study. For data analysis, questionnaires were distributed among these students. Their content validity was assessed by professionals. Additionally, their reliability was assessed by using Cronbach's Alpha and SPSS software and was ensured by a value of 0.838. We analyzed data by multiple regression analysis. Findings revealed that the studied independent variables can predict %56 of customers' loyalty. Specifically, satisfaction showed the most significant relationship with customers' loyalty.

Keywords: *Loyalty, Customers, Satisfaction, Commitment*

INTRODUCTION

During transition from traditional economy and due to more intense competition, customers are regarded as the main component and determinant for organizational operations. In terms of competition, survival of organizations involves attraction of new customers and maintenance of current customers. On the other hand, development of communication, movement into new era of information, and creation of widespread communication network cause organizations to have a variety of customers with different interests and options. These ways and means are called customer relation management (CRM), making contribution to increase in revenues (because of increasing number of customers), and reduction in sale and distribution costs, and minimization of costs for supports (Elahi and Heydari, 2012).

Organization should gain awareness of the fact that limitations do not bring about beneficial effects. Organizations follow a common aim: satisfaction of customers. In competitive market, organizational aims are defined in terms of attraction and maintenance of loyal customers. Organizational survival is slogan of this era. In recent decade, loyalty is a fundamental construct in marketing and CRM. Customer management is one of main matters of concern in organizations (Boora and Singh, 2011). World of business, along with its marketing and strategy, undergoes transition i.e. it is a transitional process. It is very significant to permanent profitability, devotion of time and allocation of resources in long-term plans such as maintenance of customers.

Innovation in attraction of customers takes place by asking following questions: What customers are dissatisfied? What customers do leave the organization more likely? What can organizations do to maintain customers? Analysis of customers' behavior, and resources as well as strategies for their maintenance can find answers for these questions (Harrington-Griffin, 2012). In the case that organizations regularly attempt to set incalculable values and to have loyalty of customers, their market shares increase and costs for customers' access to services and organizational offer of services are lowered. Customers gain benefits from loyalty same as organizations. Organizational profitability is achieved by the following: (1) loyal customers do not tend to carry out intractable transactions; (2) they

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more likely carry advertisement of services and goods by word of mouth; and (3) they purchase a larger number of goods in cases of lower degree of marketing (Bennett and Bove, 2002).

Indeed, we all require receiving training in loyalty. Loyalty, by its very nature, is described as commitment to ourselves, persons, or organizations putting in a certain performance. Accordingly, for inspiration of loyalty, the real meaning of service offer to customers should be conveyed (Aksoy *et al.*, 2009).

History of some music schools shows that their students are relatively loyal to them to the extent that they could increase their pace as compared with other schools; yet failures cannot be avoided. Examination on their successful practice and operation can build foundations for other schools. Also, analysis of failures makes contribution to avoidance of possible difficulties. Therefore, this study intends to answer these questions:

- (1) What parameters inspire loyalty of students to music schools?;
- and (2) how do they inspire loyalty?

Review of Literature

Abbasi *et al.*, (2011) examine parameters which create impact upon customers' loyalty all over world especially Pakistan. They distributed a 14-item questionnaire among 150 participants and analyzed them by using SPSS software and performing correlational test. They –like Kuusik (2007)-find customers' satisfaction, brands, relationship with customers, and confidence effective at customers' loyalty. Their conceptual model is as follows:

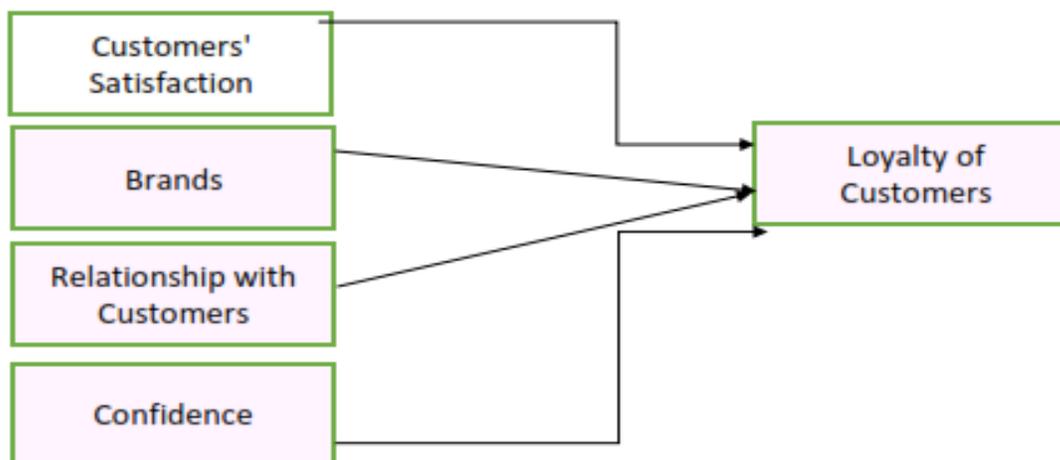


Figure 1: Conceptual model of Abbasi *et al.*, (2011)

Their hypotheses are as follows:

- 1- Customers' satisfaction creates significant impact upon their loyalty;
- 2- Brands bring about significant impact on loyalty of customers;
- 3- Customers' loyalty is directly and positively interrelated with brands; and
- 4- Customers' loyalty is affected by relationship and interaction between them and organizations.

Due to level of significance 0.324 ($P > 0.5$), there is significant relationship between customers' satisfaction and their loyalty. In case of hypothesis 2, level of significance is 0.162. Additionally, as level of significance shows i.e. 0.218, customers' loyalty is directly and positively interrelated with brands. Level of significance for hypothesis 4 is 0.392. Therefore, all four hypotheses are accepted (Abbasi *et al.*, 2011).

Dorosti *et al.*, (2012) evaluate effective parameters of customers' loyalty in case of restaurants. They distributed a Likert-scale-based questionnaire among 10 branches of Boof's chain restaurants (40 customers per one restaurant). LISREL software was used and Chi-square analysis was made for data analysis. Their findings suggest that customers' satisfaction and confidence are determinants of their loyalty. Their conceptual model is shown in Figure 2.

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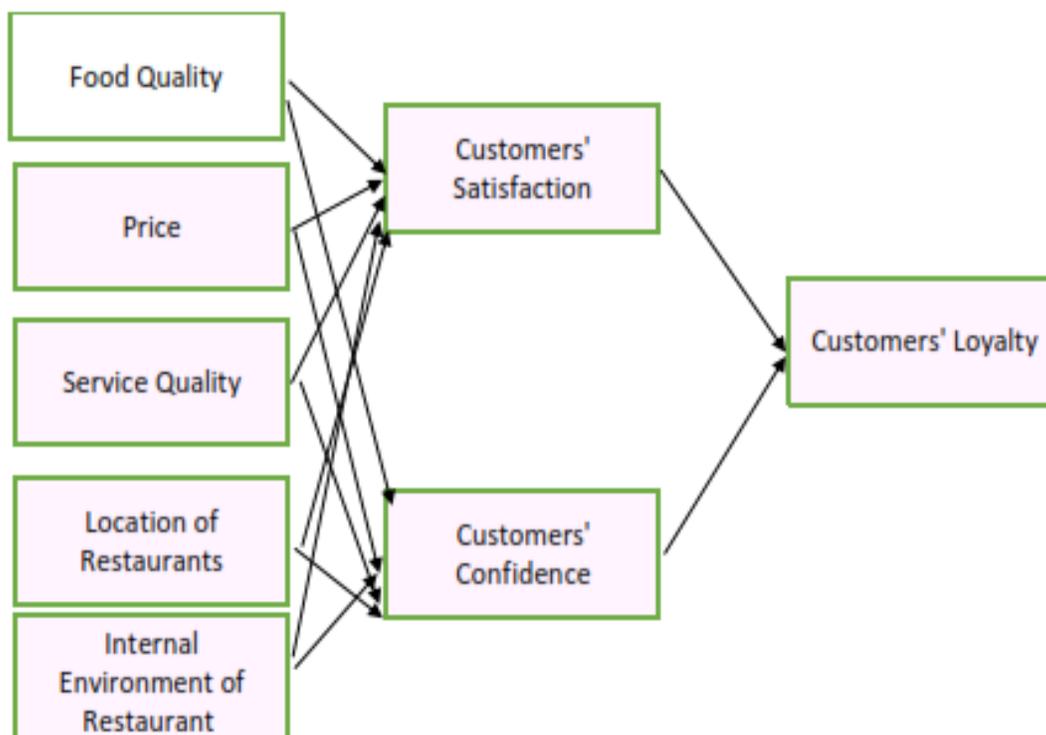


Figure 2: Conceptual model of Dorosti *et al.*, (2012)

Hypotheses

- 1- Food quality creates positive impact upon customers' satisfaction;
- 2- Price brings about positive effect on customers' satisfaction;
- 3- Customers' satisfaction is positively affected by service quality;
- 4- Location of restaurants brings about positive effect on customers' satisfaction;
- 5- Internal environment of restaurant creates positive impact upon customers' satisfaction;
- 6- Food quality creates positive impact upon customers' confidence;
- 7- Price brings about positive effect on customers' confidence;
- 8- Customers' confidence is positively affected by service quality;
- 9- Customers' satisfaction creates positive impact upon their loyalty; and
- 10- Customers' confidence creates positive impact upon their loyalty.

Their findings demonstrate the following order of effectiveness in customers' satisfaction:

- ❖ Food quality (positive standard coefficient 0.53; t-6);
- ❖ Internal environment of restaurant (positive standard coefficient 0.27; t-3.58);
- ❖ Service quality (positive standard coefficient 0.16; t-2.03); and
- ❖ Price (positive standard coefficient 0.14).

All these parameters bring about positively direct effect on customers' satisfaction and indirect effect on their loyalty.

Also, the order of effectiveness in customers' confidence is as follows:

- ❖ Service quality (positive standard coefficient 0.59; t-5.98)
- ❖ Price (positive standard coefficient 0.14; t-4.36); and
- ❖ Food quality (positive standard coefficient 0.26; t-3.30)

Customers' loyalty is positively affected by their confidence (positive standard coefficient 0.0.83; 6.48) (Dorosti *et al.*, 2012).

Boora and Singh (2011) identify 5 parameters which exert impact upon customers' loyalty: satisfaction, credibility, commitment, communication, and management of conflicts. They are shown in Figure 3.

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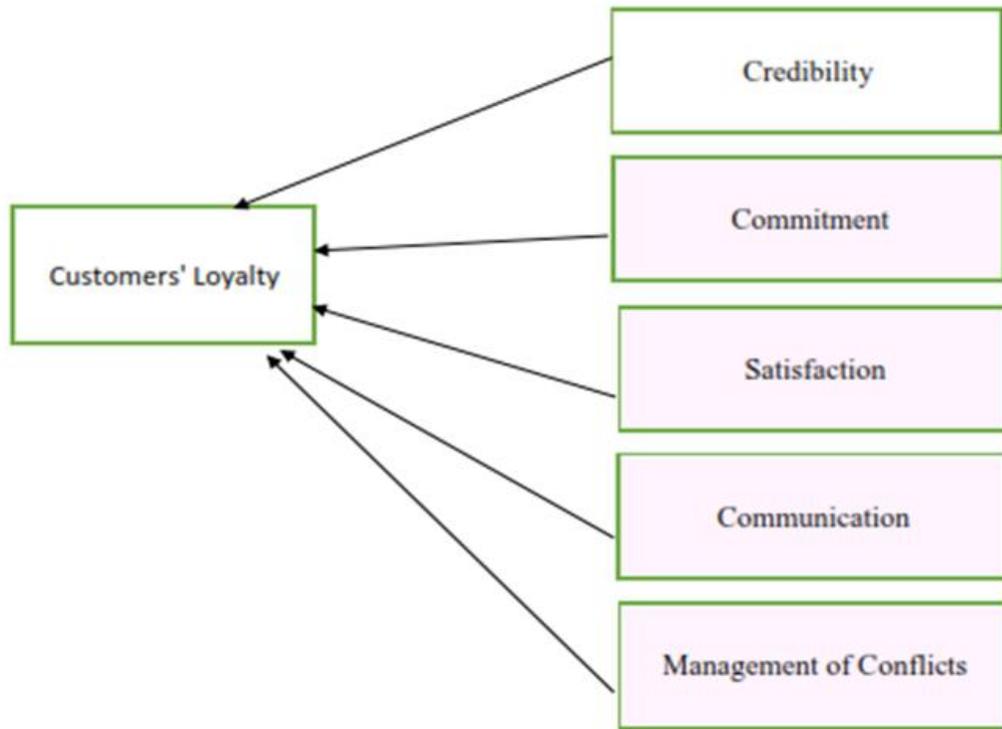


Figure 3: Conceptual model of Bora and Singh (2011)

Their findings suggest that customers' loyalty can be viewed as a behavior pattern, an attitude, or a combination of behavior and attitude. Moreover, customers' loyalty is the outcome of a large number of parameters (Bora and Singh, 2011).

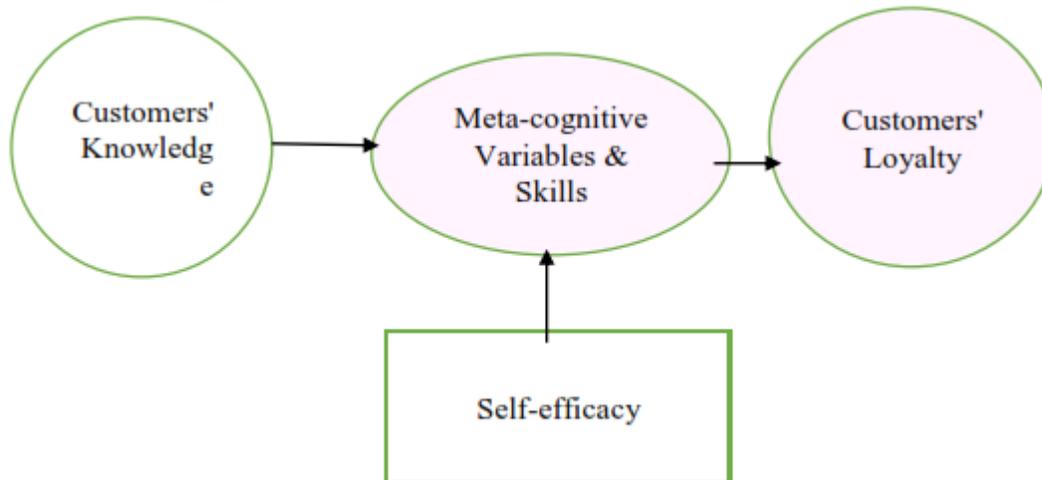


Figure 4: Conceptual model of Antonios (2011)

According to Antonios (2011), customers' satisfaction is affected by their learning attitude which is itself affected by self-efficacy. His hypotheses are:

- 1- High level of knowledge in customers can increase their level of self-efficacy. This level of knowledge about goods and services boosts their self-confidence and subsequently increases their self-efficacy.
- 2- In the case that first hypothesis is accepted, high level of customers' knowledge makes contribution to their loyalty. When level of self-efficacy is increased by high level of knowledge, the most significant

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components of concerned goods or services in their mind are what they attach value to. As a result, they gain higher satisfaction and tend to show loyalty for goods and services.

He used a combined methodology for quality and quantity of data. Qualitative methodology took further data collection and refinement of the conceptual model into consideration. On the other hand, quantitative methodology attempted to assess validity and reliability of defined model.

The researcher utilized structural equation modeling for his sample (300-400 participants). Figure 4 shows his conceptual model.

His findings show that customers' training about goods and services is main determinant of quality of goods and services offered to them.

Self-efficacy is a crucial component, which is potentially valuable because of interaction with knowledge. The exact performance of people exerts impact upon their self-efficacy and ultimately upon their future performance.

Satisfaction and loyalty are crucial indicators of present and future performance of organizations.

Customers' satisfaction opens up an opportunity for their loyalty and organizational gain and loss. Influence of customers' knowledge on the ultimate customers is discussed by scholars (Antonios, 2011).

Farooque et al., (2009) point out that social responsibility of organizations brings about effect on loyalty of customers and their intents for shopping.

Their study discussed two hypotheses on the basis of theoretical principles mentioned in this paper. The population consisted of 150 employees of telecommunication companies in Pakistan.

Data was analyzed by SPSS software. In accordance with tables of correlation and regression, social responsibility of these companies was positively correlated with customers' loyalty and intent for shopping in Pakistan's telecommunication industry (See Figure 5).

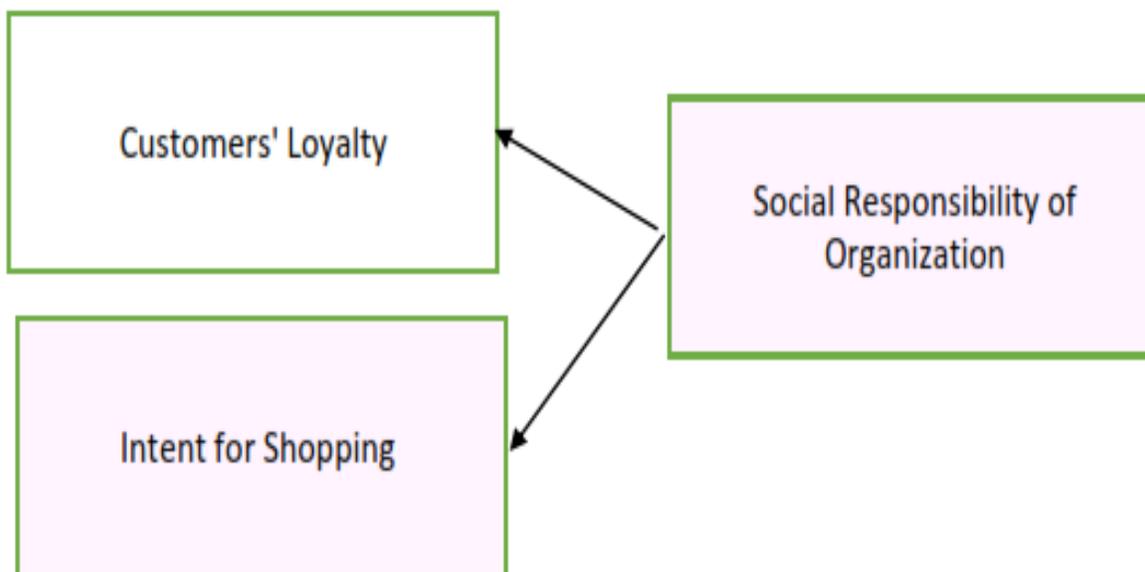


Figure 5: Conceptual model of Farooque et al., (2009)

Bagram and Khan (2012) explore how customers' satisfaction and maintenance make contribution to their loyalty. The population consisted of 120 students in Peshawar (a region in Pakistan) and data was analyzed by SPSS 19. Their conceptual model is as follows:

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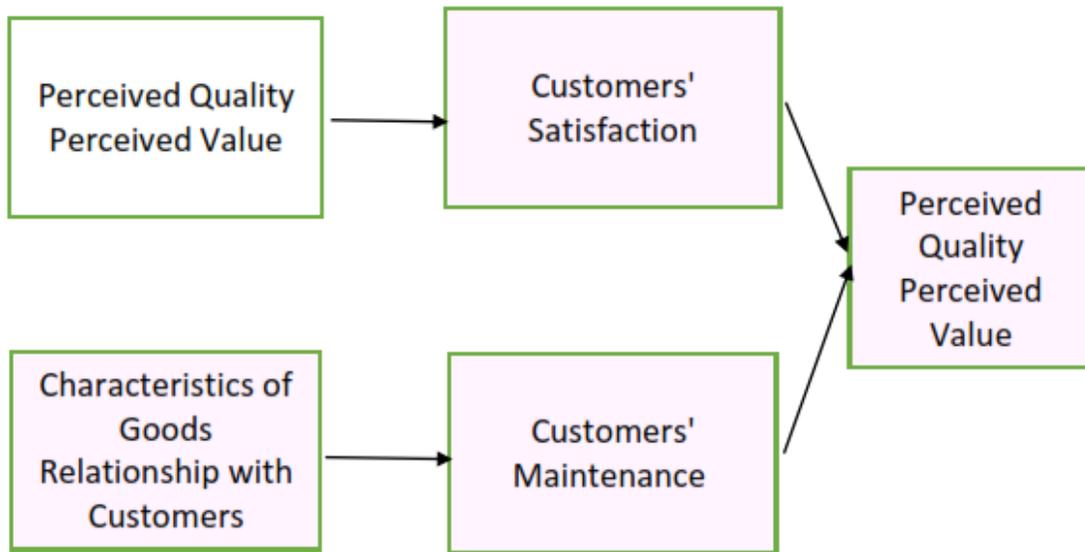


Figure 6: Conceptual model of Bagram and Khan (2012)

They examined the following hypotheses:

- ❖ There is positive relationship between customers' loyalty and their perceived values;
- ❖ Perceived quality brings about effect on customers' loyalty;
- ❖ There is positive correlation between characteristics of goods and customers' loyalty;
- ❖ Relationship with customers exerts impact upon their loyalty; and
- ❖ Customers' loyalty is significantly affected by their confidence.

Their findings describe perceived value, perceived quality, and characteristics of goods as determinants of customers' loyalty (Bagram and Khan, 2012).

Kuusik (2007) identify 4 parameters which create impact upon customers' loyalty: satisfaction, brands, communication, and confidence. He employed LOGIT for analysis of hypotheses. His population consisted of 1000 customers of the largest telecommunication company in Estonia. His findings highlighted different impacts of these parameters upon different levels of customers' loyalty. His conceptual model is shown in Figure 7.

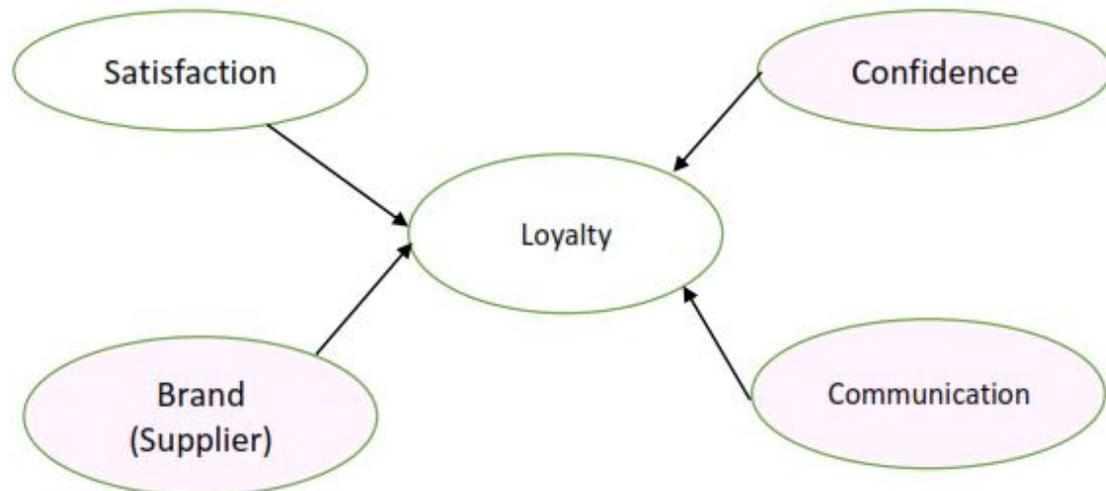


Figure 7: Conceptual model of Kuusik (2007)

His hypotheses are as follows:

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1- Satisfaction, confidence, brand (supplier), and communication bring about positive effect upon customers' loyalty; and

2- Effectiveness of parameters in customers' loyalty is correlated with levels of loyalty.

As his findings suggest, effectiveness of these parameters is dependent upon levels of loyalty (loyal, relatively loyal, and disloyal). However, satisfaction and communication generally build foundation for any loyalty level. Additionally, confidence about products or salesmen is the most significant component for customers' loyalty and brand is a fundamental means for attraction of committed customers (Kuusik, 2007).

Conceptual Model of Study

Boora and Singh (2011) regard the following as parameters creating impact upon customers' loyalty: satisfaction, commitment, communication, management of conflict, and credibility. As far as knowledge is concerned, Antonios (2011) reveal that knowledge management creates a new working environment in which knowledge can be shared and information is circulated among proper persons in proper time periods for their better performance. Customers' knowledge makes contribution to their loyalty by bringing effect upon metacognitive variables. Specifically, self-efficacy creates impact upon metacognitive variables. Current knowledge is added to customers' knowledge and its outcomes are examined.

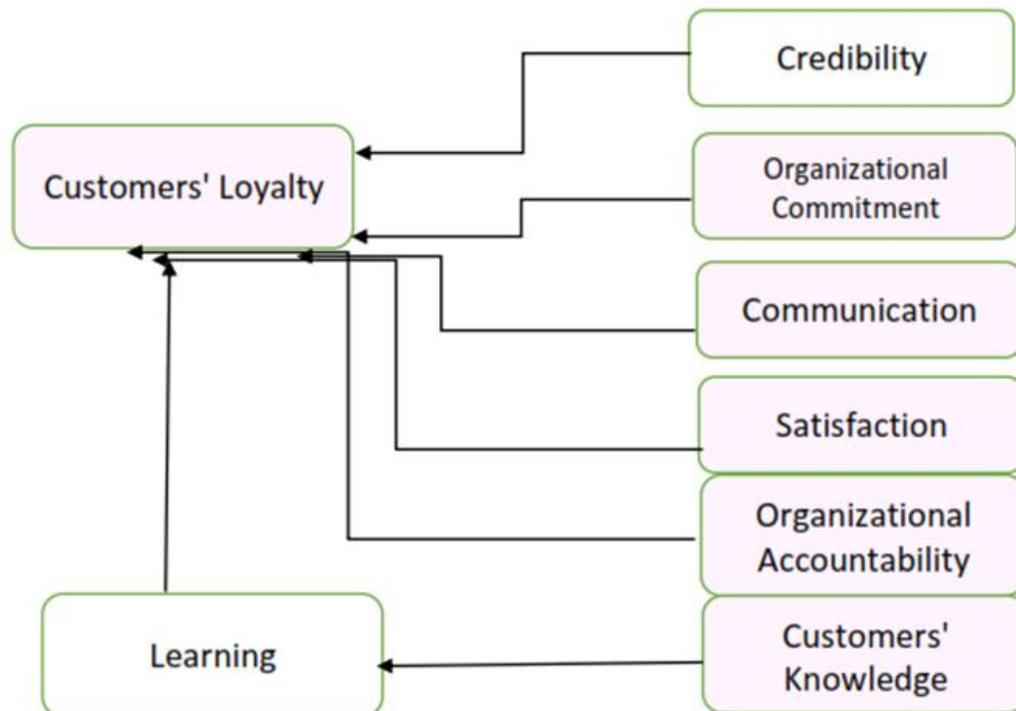


Figure 8: Conceptual model of this study

Farooque *et al.*, (2009) reveal that social responsibility of organization, support of non-governmental organizations, and patterns of behavior make contribution to customers' loyalty which in part affects their shopping behavior. Accordingly, they regard social responsibility of organization as one of parameters bringing effect upon customers' loyalty and intent for shopping.

Abbasi *et al.*, (2011) examine parameters which create impact upon customers' loyalty in Pakistan. They find customers' satisfaction, brands, relationship with customers, and confidence effective at customers' loyalty.

Dorosti *et al.*, (2012) evaluate effective parameters of customers' loyalty in case of restaurants. Their findings suggest that customers' satisfaction and confidence are determinants of their loyalty. Also,

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Bagram and Khan (2012) regard customers' satisfaction and maintenance as the most significant parameters for their loyalty.

On the basis of above-said studies investigating different parameters of customers' loyalty from different perspectives; we built a theoretical foundation for our study. We examined relationship of 7 parameters including credibility, commitment, satisfaction, communication, organizational accountability, customers' knowledge, and learning with customers' loyalty.

Definition of Concepts

Credibility: Customers tend to have confidence about organizations that make commitment to put in their performance at their best. Sometimes, credibility is called shared values, shared objectives, performance with same outcomes, and fulfillment of promise.

Commitment: It is defined as strongly stabilized tendency for survival in a valued relation, by which larger degree of tasks is fulfilled for relational success by a mutual consent.

Communication: Valuable information is required to be supplied on time. Communication involves interaction with customers, timely circulation of information regarding details of or changes in services and goods, and active relationship with customers at the time of difficulties with delivery of goods.

Satisfaction: Satisfaction is a positive feeling inspired by quality of goods and services. This feeling is resulted from relationship between customers' expectations and suppliers' performance. In the case that delivered goods and provided services satisfies customers' expectation, they gain satisfaction. If delivered goods and provided services go beyond customers' expectation, they are overwhelmed with joy. Otherwise, they are dissatisfied.

Organizational accountability: Accountability is described as duties for improvement and maintenance of public welfare as well as maintenance of stable organizational resources for all shareholders in future. Indeed, it is fulfillment of social requirements.

Customers' Knowledge: It is any systematized and strengthened activity for making use of (potential) customers' attitudes, information, and capability in organizational sectors.

Loyalty: Customers are regularly committed to purchase products and services again, due to environmental impacts and marketing attempts.

Metacognitive (Learning) Variables: They are defined as thinking about thinking, thinking about learning, learning about learning, awareness about knowledge, and that to what extent we know that we know (Alvani, 2009).

Questions of Study

- ❖ To what extent does organizational credibility create impact upon customers' loyalty?
- ❖ To what extent does organizational commitment create impact upon customers' loyalty?
- ❖ To what extent does communication bring about effect on customers' loyalty?
- ❖ To what extent does customers' satisfaction bring about effect on their loyalty?
- ❖ To what extent does organizational accountability bring about effect on customers' loyalty?
- ❖ To what extent does customers' knowledge create impact upon their loyalty?
- ❖ To what extent does learning create impact upon customers' loyalty?

MATERIALS AND METHODS

Methodology

This study is an applied, descriptive, and survey-based research. The population consisted of all students in one of Tehran's art schools. We conducted a pilot study in which customers' loyalty was considered as main matter of concern in %95 level of confidence. By using distribution of the main variable of study, we calculated sample size. As error rate was expected to be lower than %8, we calculated sample size by the below equation:

$$n = \frac{z_{\alpha/2}^2 \cdot P(1-P)}{d^2} = \frac{(1.96)^2 (0.95)(0.05)}{(0.08)^2} \cong 150$$

The sample size was 150 participants; yet it was increased to 160 participants for further caution.

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Questionnaires were distributed among professionals in order to put forward their viewpoints about defined parameters. Their items were designed in accordance with questionnaires of other scholars carrying out studies about parameters of customers' loyalty. These items had five-point Likert's scale: very low (1), low (2), medium (3), great (4), and very great (5).

On the basis of previous studies, we selected 7 parameters that create impact upon loyalty of students. They were as follows: credibility, commitment, satisfaction, communication, organizational accountability, customers' knowledge, and learning. Then, we examined their impacts by putting 24 questions. Additionally, content validity was used, which determines whether the content of questionnaires includes all aspects of the studied concept or not. For this assessment, professionals analyzed questionnaires. For ambiguous items, they put forward their viewpoint, by which we made changes in content of questionnaires. Next, a number of randomly-selected participants in the studied population completed questionnaires, on the basis of which we made changes if necessary.

Reliability was assessed by using Cronbach's Alpha and SPSS software. Since value of 0.70 is regarded satisfactory for reliability, our reliability i.e. 0.838 was ensured. Simultaneous regression analysis was performed for inferential discussions and hypotheses.

RESULTS AND DISCUSSION

Findings

In order to test theoretical model, we performed multiple regression analysis, in which dependent variable is measured by relative linear interaction between independent variables and therefore there is more than one independent variable and one dependent variable (Saeed, 2009). In the final model, only independent variables having direct relationship with dependent variable were inserted into regression.

Furthermore, we performed Durbin-Watson test in order to measure independency of residuals. Value of this test ranges from 0 to 4. Values between 1.5 and 2.5 are indications of independency and opportunity for regression analysis. Value of Durbin-Watson test was 1.723. Consequently, residuals are relatively independent.

Table 1: Results of F Test & Durbin-Watson test

F Value	11.403
Level of Significance	0.000
Value of Durbin-Watson test	1.723

Table 2 shows non-standardized regression coefficient (B), standardized regression coefficient (Beta), Standard Error (SE), T-Value, level of significance, variance inflation factor (VIF), and coefficient of determination (R²).

Table 2: Multiple regression analysis of Variables Creating Impact upon loyalty of Students in Music School

Dependent Variable	Independent Variables	B	SE	Beta	T Value	Level of Significance	Value of VIF	R ²
Customers' Loyalty	Constant Value	1.26	0.52	-----	2.41	0.017	-----	0.56
	Credibility	0.24	0.11	0.22	2.15	0.33	1.21	
	Commitment	0.34	0.09	0.36	3.82	0.000	1.38	
	Satisfaction	0.49	0.06	0.52	7.52	0.000	1.44	
	Learning	0.33	0.10	0.25	3.34	0.001	1.20	

Examination of simultaneous impact of independent variables reveals that credibility, commitment, satisfaction, and learning are significantly, positively, and directly interrelated with students' loyalty and can predict changes in their loyalty (P<0.05). In other words, higher level of each of these independent variables increases level of students' loyalty.

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As findings indicate, independent variables studied in this paper can predict %56 of changes in students' loyalty. Standardized regression value for credibility, commitment, satisfaction, and learning are respectively 0.22, 0.33, 0.52, and 0.25. Accordingly, satisfaction shows the most significant relationship with customers' loyalty.

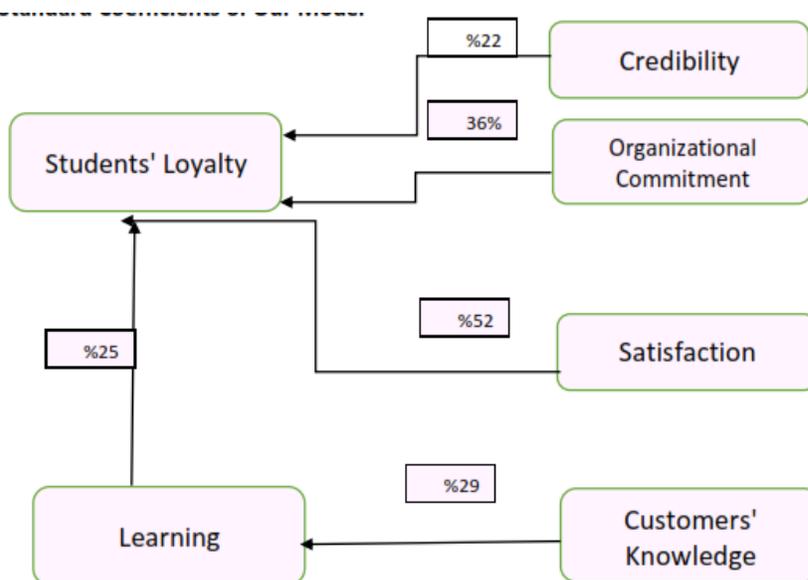


Figure 9: Standard coefficients of our model

Conclusion

Multiple regression analysis shows significant correlation of credibility, commitment, satisfaction, students' knowledge and learning with their loyalty and is satisfactory predictors of changes in students' loyalty. Also, our independent variables can predict %56 of changes in students' loyalty. Standardized regression value for credibility, commitment, satisfaction, students' knowledge and learning are respectively 0.22, 0.33, 0.52, and 0.25, by which students' satisfaction shows the most significant relationship with their loyalty. All these variables are directly interrelated with students' loyalty i.e. their higher level increases level of students' loyalty.

Students' knowledge brings about effect upon their loyalty because of impact upon learning. By allocating fundamental resources and by improving conditions, educators can encourage students to stimulate their own innovation. Knowledge should be distributed in organizations and knowledge spread culture should be created. Conversely, communication and accountability of art schools cannot significantly predict students' loyalty. Distance between students' school and their house, preference for group classes, and accountability of art schools for improvement and maintenance of welfare and resources do not play significant role in students' loyalty.

Suggestions for Executives

As there is no significant relationship between school-house distances, principles are suggested to supply their service at their best in a way that far-distance students' loyalty is inspired. Moreover, preference for attendance in group classes is not significantly related with students' loyalty. As a result, educators should take other dimensions of their classes into account. Last but not least, since credibility, commitment, satisfaction, students' knowledge and learning are significantly correlated with their loyalty; educators should use these indicators for assessment of students' loyalty.

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